Government shareholding in nationalised banks from 51% to 33% to enable nationalised banks to raise capital from market without affecting their public sector character. Accordingly, Banking Companies (Acquisition and Transfer of Undertakings) and Financial Institutions Amendment Bill, 2000 was introduced in Lok Sabha in December, 2000 which has been referred to Standing Committee on Finance.

Interest rates on Credit Cards

1990. SHRI RAJU PARMAR:
SHRI BHAGATRAM MANHAR:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that interest rates being charged on credit cards by the various nationalised and foreign banks are highly exorbitant;

(b) if so, the reasons therefor;

(c) whether Government are aware that in U.K;, U.S.A and Canada in interest rates charged on credit cards is less than 12 to 15 per cent whereas in India it is above 30 per cent; and

(d) if so, whether Government propose to inquire into the matter so as to ensure the reduction in interest rates to that of international standards?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (d) Reserve Bank of India (RBI) has reported that since interest rates have been deregulated, banks are free to determine their own rates on credit cards. At present, interest rates charged by banks vary from 24% to 36% per annum. The reasons for the high charges are because Credit Card business is highly capital intensive. It involves capital expenditure for the infrastructure *i.e.* on-line computer systems, call centres (customer service centres), Electronic Data Capture Machines (EDCMs) for cash dispensation and Point of Sales (PoS) terminals. These are on-going investment expenditure, risk involved in credit card usage is undefined as the credit card dues are clean in nature without any security/collateral.

Further, in the case of credit cards, there is also fraud risk arising out of stolen/altered credit cards. Recovery of outstanding dues on credit cards is very difficult, time consuming and costly.

Banks make an estimate of costs depending upon the volume, technology adopted, facilities offered etc., for fixing the service charges.

RBI has advised Indian Banks' Association to examine the issue and bring about some uniform approach especially in regard to financial charges, service charges, rate of interest in the background of general reduction in interest rates. The issue is being examined by them in consultation with their member banks.

Writing off of loans by Banks

†1991. SHRI BALKAVI BAIRAGI: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that Government/R.B.I. has launched a scheme to settle the loans amounting to Rs. one lakh, cases regarding which were pending in courts for the last 15-20 years on repayments of principal amount without interest;

(b) if so, the results thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) to (c) No specific scheme to settle outstanding loans amounting to Rs. one lakh of public sector banks, has been launched by Government/Reserve Bank of India (RBI). However, a scheme for recovery of all loan accounts with outstanding balance of upto Rs. 25,000/- was launched in December, 2001 and was operative upto 30th June, 2002. The scheme, *inter-alia* provided that the amount to be recovered would be the balance outstanding towards principal in the account as on 31st March, 1998 and any interest which is included in the outstanding amount as on 31st March, 1998 or accured on the balance outstanding after that date will be waived. As per the available information as on 31st March, 2002, out of the applications received, approvals were given in respect of 1.79 lakh cases involving an amount of Rs. 149 crore. The total recoveries reported under the scheme as on 31st March, 2002 amounted to Rs. 89.51 crores and the remaining amount was to be recovered in instalments.

†Original notice of the question was received in Hindi.